Income Tax Index - Weather Related Livestock Sale Income Tax Credit

Question: What was the Weather Related Livestock Sale Income Tax Credit?

Answer: For tax years beginning on or after January 1, 2002, but prior to January 1, 2004, an income tax credit was available to qualified taxpayers who defer income from the sale of livestock due to weather related conditions on the federal income tax return. The credit was 4.63% of the amount of income actually deferred. [C.R.S. 39-22-128]

The Colorado credit was based on the deferral of income allowed on the federal return under section 451(e) of the federal IRS Code. Cash basis farmers could elect a one-year deferral to report income from the sale of certain livestock due to drought, flood, or other weather related conditions. The drought, flood, or other weather related conditions must be such that the taxpayer's area was designated eligible for federal assistance. The credit was based on the amount of income deferred from the sale or exchange of livestock that normally would not have been sold during the tax year had it not been for the weather related conditions. If a taxpayer elected not to take the federal deferral of income, they did not qualify for the Colorado credit.

To claim the credit, a taxpayer's principal trade or business must have been farming and they must have been cash basis taxpayers. Accrual method taxpayers did not qualify for the deferral or credit.